



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GARRARD COUNTY SHERIFF**

Calendar Year 1999

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable E. J. Hasty, Garrard County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Garrard County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable E. J. Hasty, County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
Members of the Garrard County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Did Not Maintain Adequate Payroll Records
- The Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated April 6, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 6, 2000

GARRARD COUNTY
RONALD G. WARDRIP, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	25,000
State Grants			9,333
State Fees For Services:			
Finance and Administration Cabinet			4,401
Circuit Court Clerk:			
Sheriff Security Service	\$	4,990	
Fines and Fees Collected		<u>1,550</u>	6,540
Fiscal Court			24,425
County Clerk - Delinquent Taxes			3,966
Commission On Taxes Collected			132,433
Fees Collected For Services:			
Auto Inspections	\$	2,575	
Carrying Concealed Deadly Weapon Permits		6,843	
Serving Papers		12,820	
School Security		<u>17,600</u>	39,838
Other:			
Sale of Vehicles	\$	2,247	
Refunds		6,460	
Miscellaneous		<u>2,058</u>	10,765
Interest Earned			227
Borrowed Money:			
State Advancement	\$	79,200	
Bank Note (Note 4)		<u>75,000</u>	154,200
Gross Receipts (Carried Forward)		\$	411,128

GARRARD COUNTY
RONALD G. WARDRIP, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Gross Receipts (Brought Forward)	\$ 411,128
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries	\$ 121,847
Part-Time Gross Salaries	8,400
Sheriff Training Incentive	688
Other Gross Salaries	7,068

Employee Benefits-

Employer's Share Retirement-KLEFPF	789
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Contracted Services-

Advertising	177
Vehicle Maintenance and Repairs	5,690

Materials and Supplies-

Office Materials and Supplies	7,582
Uniforms	6,100

Auto Expense-

Gasoline	7,410
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Other Charges-

Task 9 Training	1,914	
Kentucky Sheriff's Association Insurance	378	
Pagers	1,986	
Carrying Concealed Deadly Weapon Permits	4,275	
Miscellaneous	1,680	\$ 175,984

Capital Outlay-

Vehicles	75,000
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Debt Service:

State Advancement	\$ 79,200	
Notes (Note 4)	21,176	
Interest	5,690	106,066

Total Disbursements	357,050
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Net Receipts	\$ 54,078
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Less: Statutory Maximum	53,638
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Excess Fees Due County for Calendar Year 1999	\$ 440
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The accompanying notes are an integral part of the financial statement.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
Calendar Year 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 8, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$406,391 of public funds uninsured and unsecured.

Note 4. Note Payable

The office of the County Sheriff is liable for a secured note payable to First Southern National Bank in the amount of \$75,000 issued December 10, 1998. The purpose of the note was to purchase four vehicles. The note matured December 20, 1999, and the interest rate was 6.5 percent. The note is renewable and was renewed for calendar year 2000. The remaining principal balance on this note was \$53,824 as of December 31, 1999. The office of the County Sheriff was in compliance with the terms of the agreement as of December 31, 1999.

Note 5. Fines and Forfeitures Account

During calendar year 1999, under terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the Sheriff's office received proceeds emanated from the confiscation, surrender, or sale of real and personal property involved in related drug convictions. These proceeds may be used for operating expenditures of the Sheriff's office. During the year, \$4,611 was received and \$2,000 was expended for training, resulting in a \$2,611 balance as of December 31, 1999.

Note 6. Garrard County DARE Program Account

The Garrard County Sheriff's office maintains the Garrard County DARE Program Account. The balance in this account as of January 1, 1999 was \$37. During the year, contributions totaling \$2,707 were deposited in the account. Disbursements of \$2,590 were made for various DARE program activities.

COMMENTS AND RECOMMENDATIONS

GARRARD COUNTY
RONALD G. WARDRIP, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS:

1. The Sheriff Did Not Maintain Adequate Payroll Records

The Sheriff did not adequately maintain payroll records for employees of the office. Under the provisions of KRS 337.320, every employer is required to keep a record of (a) the amount paid each pay period to each employee, (b) the number of hours worked each day and each week by each employee, and (c) such other information as required.

Sheriff's Response:

Payroll records started January 1, 2000.

2. The Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s

At the end of 1999, the Sheriff paid three deputies \$1,808.72 each in supplemental income. Withholdings were not made on these wages nor were the wages reported on the 1999 W-2s. These wages were reported separately on 1099s, but the proper withholdings were not made. Also, for the part-time help in the office, no W-2s or 1099s were filled out for wages paid. KRS 141.310 states every employer making payment of wages shall deduct and withhold upon wages paid. In addition, KRS 141.335 requires an employer to provide an annual withholding statement to each employee showing the total amount of wages paid. We recommend the Sheriff withhold and report the proper payroll taxes and report wages on employee W-2 forms

Sheriff's Response:

Will comply with KRS in the future.

3. The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 8, 1999, \$406,391 of the Sheriff's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Will obtain proper pledges from depository institution in the future.

GARRARD COUNTY
RONALD G. WARDRIP, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None

PRIOR YEAR:

In the prior year, we reported the Sheriff did not maintain adequate payroll records and that the Sheriff did not properly withhold taxes and report wages on W-2s. These findings were not corrected in 1999; therefore, they are reported as current year findings.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable E. J. Hasty, Garrard County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Garrard County Sheriff as of December 31, 1999, and have issued our report thereon dated April 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Garrard County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Sheriff Did Not Maintain Adequate Payroll Records
- The Sheriff Did Not Properly Withhold Taxes And Report Wages On W-2s

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Garrard County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable E. J. Hasty, Garrard County Judge/Executive
Honorable Ronald G. Wardrip, Garrard County Sheriff
Members of the Garrard County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 6, 2000

